

SERFF Tracking Number:	PRUD-126763077	State:	California
Filing Company:	The Prudential Insurance Company of America	State Tracking Number:	PF-2010-01591
Company Tracking Number:	EDBS-CHIP-CA-RR-2010		
TOI:	H16I Individual Health - Major Medical	Sub-TOI:	H16I.005C Individual - Other
Product Name:	CHIP		
Project Name/Number:	/		

Filing at a Glance

Company: The Prudential Insurance Company of America

Product Name: CHIP

SERFF Tr Num: PRUD-126763077 State: California

TOI: H16I Individual Health - Major Medical

SERFF Status: Pending Industry Response
State Tr Num: PF-2010-01591

Sub-TOI: H16I.005C Individual - Other

Co Tr Num: EDBS-CHIP-CA-RR-2010
State Status:

Filing Type: Rate

Reviewer(s): Angela Jang, Marsha Seeley, Sai-on Sam, Ali Zaker-Shahrak, Xiangchen Meng

Authors: Kathleen Carlon-Weir, Ryan Roebuck

Disposition Date:

Date Submitted: 08/10/2010

Disposition Status:

Implementation Date Requested: 12/10/2010

Implementation Date:

General Information

Project Name:

Status of Filing in Domicile: Not Filed

Project Number:

Date Approved in Domicile:

Requested Filing Mode: Review & Approval

Domicile Status Comments: NJ last approved on 11/28/08; this was reflected in our 2008 filing.

Explanation for Combination/Other:

Market Type: Individual

Submission Type: New Submission

Group Market Size:

Overall Rate Impact: 10%

Group Market Type:

Filing Status Changed: 08/16/2010

Explanation for Other Group Market Type:

State Status Changed:

Deemer Date:

Created By: Ryan Roebuck

Submitted By: Ryan Roebuck

Corresponding Filing Tracking Number:

PPACA: Not PPACA-Related

Filing Description:

The referenced rate increase is being submitted for your review.

Policy form CHIP 34500C-E is an existing policy form providing major medical benefits comparable to those generally available only under group insurance plans at the time it was issued. This form was issued from 1973 through 1983 and is no longer marketed in any state. The company is requesting the following rate increases by coverage type, in order to

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reduce future losses and maintain a more reasonable relationship between benefits and premiums. The requested rates will apply to policies on their policy anniversary date on or after December 10, 2010.

Coverage Type Rate Increase
 Major Medical Group Conversion 10.0%
 Major Medical Non-Conversion 10.0%

The following items are included in this submission:

- „X The required California Document Submission Formset;
- „X The Actuarial Memorandum, Actuarial Supplement, and Rate Schedules; and
- „X The questionnaire

Company and Contact

Filing Contact Information

Surangi Patel, Vice President, Actuarial surangi.patel@prudential.com
 Prudential 973-367-3011 [Phone]
 751 Broad Street 973-367-8737 [FAX]
 Newark, NJ 07102

Filing Company Information

The Prudential Insurance Company of America CoCode: 68241 State of Domicile: New Jersey
 751 Broad Street Group Code: 304 Company Type: Life
 Newark, NJ 07102-3777 Group Name: State ID Number: 0174-8
 (973) 802-6000 ext. [Phone] FEIN Number: 22-1211670

Filing Fees

Fee Required? Yes
 Fee Amount: \$0.00
 Retaliatory? No
 Fee Explanation: Per CA general information, the fee is billed in arrears.
 Per Company: No

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COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Prudential Insurance Company of America	\$0.00		

August 10, 2010

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Policy Approval Bureau
45 Fremont Street, 23rd Floor
San Francisco, CA 94105

RE: The Prudential Insurance Company of America
Company NAIC #68241
Rate Increase for Policy Form CHIP 34500C-E

Dear Commissioner Poizner:

The referenced rate increase is being submitted for your review.

Policy form CHIP 34500C-E is an existing policy form providing major medical benefits comparable to those generally available only under group insurance plans at the time it was issued. This form was issued from 1973 through 1983 and is no longer marketed in any state. The company is requesting the following rate increases by coverage type, in order to reduce future losses and maintain a more reasonable relationship between benefits and premiums. The requested rates will apply to policies on their policy anniversary date on or after December 10, 2010.

Coverage Type	Rate Increase
Major Medical Group Conversion	10.0%
Major Medical Non-Conversion	10.0%

The following items are included in this submission:

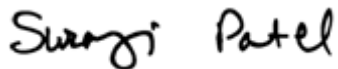
- The required California Document Submission Formset;
- The Actuarial Memorandum, Actuarial Supplement, and Rate Schedules; and
- The questionnaire

The contact person for this filing is:

Mr. James Widner
Prudential Insurance Company
Enterprise Discontinued Business Solutions
751 Broad Street, 2nd Floor
Newark, NJ 07102

Thank you for your assistance in reviewing this filing.

Respectfully,

A handwritten signature in black ink that reads "Surangi Patel". The signature is written in a cursive, flowing style.

Sue U. Patel, ASA, MAAA
Vice President, Actuarial

Enclosures

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form CHIP 34500C-E

This policy form provides major medical-type benefits comparable to those generally available only under group insurance plans, and is non-renewable for stated reasons only. CHIP was issued from 1973 to 1981 for Non-Conversion and from 1973 to 1983 for Group Conversion. There were 12 major medical contract holders in force as of December 31, 2009 who were issued a contract in California.

I. Purpose of Filing

This actuarial memorandum has been prepared for the purpose of demonstrating the reasonableness of the requested rates in relation to loss ratio standards, and may not be suitable for other purposes.

II. Description of Benefits

CHIP 34500C-E provides major medical type benefits until the insured is eligible for Medicare, at which point the insured is provided limited medical coverage. We are not asking for a rate increase for limited medical coverage at this time.

Major Medical Coverage

There are three different plans available, Plan A, Plan B, and Plan C.

The basic plan (Plan A) pays 80% of eligible expenses, after satisfaction of a \$100 calendar year deductible and subject to a \$1,000 calendar year out-of-pocket maximum. Other deductibles, included \$300, \$500, \$1,000 and \$5,000.

Eligible expenses under Plan A include: hospital room and board charges (up to the hospital's standard semi-private room rate), other hospital services and supplies (other than professional care), doctor's services for surgical and other medical care, anesthetics and their administration, ambulance services for local travel, private duty nursing, speech therapy and physiotherapy, drugs and medicines dispensed by a licensed pharmacist, x-ray and lab exams, treatment by x-ray, radium and other radioactive substances and prosthetics and durable medical equipment. Out-patient mental health benefits are limited to \$500 per year and are subject to 50% coinsurance.

Plan B is the same as Plan A except that certain hospital in-patient charges and some out-patient charges are payable at the rate of 100% without satisfaction of the deductible. Plan C is the same as Plan B, except that surgical benefits are payable in accordance with a Table of Surgical Procedures, without satisfaction of a deductible or coinsurance. Additional benefits are provided for inpatient doctor visits (up to 120 times the daily hospital medical limit specified on each policy's schedule page), diagnostic x-ray and laboratory expenses (up to \$100 per year), and accident expenses (up to \$300 per injury).

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The Prudential Insurance Company of America Policy Form CHIP 34500C-E

For Plans A, B, and C, coverage is provided for convalescent nursing home benefits, home health care benefits, and limited medical expense benefits. Maternity is offered as an optional benefit.

III. Policy Experience

Nationwide experience for this policy form is shown in Tables 1a and 1b and Tables 2a and 2b. This experience is shown separately for Major Medical Group Conversion and Major Medical Non-Conversion policies.

Tables 1a and 1b show historical experience on a statutory accounting basis. Tables 2a and 2b show experience on a restated basis for the last five calendar years. Earned premium in Tables 2a and 2b has been adjusted to the original rate level.

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form CHIP 34500C-E

**Table 1a: Nationwide Historical Statutory Experience
Major Medical Group Conversion**

(1) Calendar Year	(2) Earned Premium	(3) Incurred Claims	(4) Loss Ratio (3) / (2)
2004 and Prior	250,538,241	392,217,839	156.6%
2005	892,618	3,822,686	428.3%
2006	674,056	1,298,101	192.6%
2007	606,517	1,256,348	207.1%
2008	530,151	2,131,662	402.1%
2009	514,076	1,618,077	314.8%
2005 to 2009	3,217,417	10,126,874	314.8%
Total	253,755,658	402,344,713	158.6%
Total accumulated to 12/31/2009 @ 4.5%	819,190,879	1,231,003,346	150.3%

**Table 1b: Nationwide Historical Statutory Experience
Major Medical Non-Conversion**

(1) Calendar Year	(2) Earned Premium	(3) Incurred Claims	(4) Loss Ratio (3) / (2)
2004 and Prior	1,994,194,672	1,483,610,442	74.4%
2005	5,179,842	6,323,648	122.1%
2006	4,566,052	5,231,753	114.6%
2007	3,992,899	5,255,214	131.6%
2008	3,432,901	5,450,012	158.8%
2009	2,752,105	5,704,578	207.3%
2005 to 2009	19,923,800	27,965,205	140.4%
Total	2,014,118,472	1,511,575,647	75.0%
Total accumulated to 12/31/2009 @ 4.5%	7,085,633,724	5,009,240,043	70.7%

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form CHIP 34500C-E

**Table 2a: Nationwide Restated Experience
Major Medical Group Conversion**

(1) Calendar Year	(2) Earned Premium on Original Rate Basis	(3) Restated Incurred Claims	(4) Restated Incurred Loss Ratio (3) / (2)
2005	7,636	3,822,686	50060.6%
2006	4,590	1,298,101	28281.1%
2007	3,388	1,256,348	37085.2%
2008	2,607	2,131,662	81762.3%
2009	2,226	1,618,077	72678.5%
Total 2005 to 2009	20,447	10,126,874	49526.6%

**Table 2b: Nationwide Restated Experience
Major Medical Non-Conversion**

Calendar Year	Earned Premium on Original Rate Basis	Restated Incurred Claims	Restated Incurred Loss Ratio (3) / (2)
2005	47,216	6,323,648	13392.9%
2006	33,988	5,231,753	15393.1%
2007	25,957	5,255,214	20245.9%
2008	19,490	5,450,012	27963.5%
2009	13,580	5,704,578	42007.0%
Total 2005 to 2009	140,231	27,965,205	19942.3%

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The Prudential Insurance Company of America Policy Form CHIP 34500C-E

IV. History of Previous Rate Revisions

Previous rate increases since inception are summarized below. Rate increases prior to 1993 were not available by state, and therefore, they were estimated using a nationwide data source. These are the rate increases applied in California.

**Table 3a: Rate Revision History in California
Major Medical Group Conversion**

Effective Date	Rate Increase
11/01/74	10.1%
11/01/75	22.5%
11/01/76	19.6%
11/01/77	17.5%
11/01/78	16.1%
11/01/79	9.3%
11/01/80	24.4%
11/01/81	43.6%
11/01/82	44.6%
11/01/83	65.9%
11/01/84	25.0%
11/01/85	30.0%
06/03/87	34.0%
11/01/88	25.0%
11/01/92	40.0%
10/01/95	20.0%
05/14/01	25.0%
07/15/02	25.0%
07/17/03	35.0%
07/18/04	35.0%
07/18/05	35.0%
10/15/06	20.0%
12/10/07	15.0%
12/10/08	13.0%
12/10/09	10.0%

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The Prudential Insurance Company of America Policy Form CHIP 34500C-E

**Table 3b: Rate Revision History in California
Major Medical Non-Conversion**

Effective Date	Rate Increase
11/01/74	10.1%
11/01/75	22.5%
11/01/76	19.6%
11/01/77	17.5%
11/01/78	16.1%
11/01/79	9.3%
11/01/80	24.4%
11/01/81	43.6%
11/01/82	44.6%
11/01/83	65.9%
11/01/84	25.0%
11/01/85	30.0%
06/03/87	27.5%
11/01/88	25.0%
11/01/92	40.0%
10/01/95	20.0%
05/14/01	25.0%
07/15/02	25.0%
07/17/03	30.0%
07/18/04	35.0%
07/18/05	35.0%
10/15/06	20.0%
12/10/07	15.0%
12/10/08	13.0%
12/10/09	10.0%

V. Calculation of the Increase

Calculation of the rate increase consisted of the following steps:

1. *Determine Loss Ratio for Base Period:* The historical premium was adjusted to the original rate basis for these policy forms. Rate increases back to inception were used in this process. Rate increases prior to 1993 were not available by state, and therefore, they were estimated using a nationwide data source. As shown in Tables 2a and 2b the loss ratio for the base experience period (2009) is

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form CHIP 34500C-E

72678.5% for Major Medical Group Conversion and 42007.0% for Major Medical Non-Conversion on this rate basis.

2. *Trend Loss Ratio:* The 2009 loss ratio was then trended forward to the central date of the rate effective period. Under an assumed effective date of 12/10/10, the central date becomes 07/23/11. The trending period is 24.7 months, from 07/01/09 to 07/23/11.

An annual trend factor was developed by performing a linear regression on the natural logarithms of the adjusted loss ratios shown in Tables 2a and 2b. This is consistent with an exponential or "compound interest" model of trend. The slope of this line yields an annual trend factor of 19.8% for Major Medical Group Conversion and 33.4% for Major Medical Non-Conversion. However, according to the Spring 2009 AON Health Care Survey, the medical indemnity trend rate for plans that include pharmacy benefits is 11.9%. Prudential is using the 11.9% as the annual trend factor.

For Major Medical Group Conversion, the projected loss ratio, on the original rate basis, is thus:

$$72678.5\% \times (1 + 11.9\%)^{(24.7/12)} = 91632.7\%$$

For Major Medical Non-Conversion, the projected loss ratio, on the original rate basis, is thus:

$$42007.0\% \times (1 + 11.9\%)^{(24.7/12)} = 52962.2\%$$

Prudential uses the Preferred Provider Network Participation to reduce claims where applicable.

3. *Adjust to Current Rate Level:* The projected loss ratios were then adjusted to reflect the current rate levels in California. Table 4 shows the original rate levels as well as the projected loss ratios on the current California rate levels for the two coverages.

Table 4: Current Rate Levels and Projected Loss Ratios

	Current Rate Level as a % of the Original Rate Level (including contract constants)	Projected Loss Ratio
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ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form CHIP 34500C-E

Major Medical Group Conversion	28419.5%	322.4%
Major Medical Non-Conversion	26039.4%	203.4%

The projected loss ratio on the current California rate level is calculated as follows:

For Major Medical Group Conversion

$$91632.7\% / 28419.5\% = 322.4\%$$

For Major Medical Non-Conversion

$$52962.2\% / 26039.4\% = 203.4\%$$

4. *Calculate Maximum Rate Increase:* The maximum justifiable rate increase was calculated as follows:

For Major Medical Group Conversion

$$322.4\% / 80\% - 1 = 303.0\%$$

For Major Medical Non-Conversion

$$203.4\% / 80\% - 1 = 154.2\%$$

This assumes a target loss ratio of 80% for Major Medical Group Conversion and 80% for Major Medical Non-Conversion.

5. Table 5 shows the maximum rate increase calculated above, as well as the requested rate increase for this coverage.

Table 5: Maximum and Requested Rate Increases

Coverage	Max Rate Increase	Requested Rate Increase	Rate Increase Applied to the Base Premium
Major Medical Group Conversion	303.0%	10.0%	10.1%
Major Medical Non-Conversion	154.2%	10.0%	10.1%

To yield an average increase of 10.0% as requested above for the Major Medical products, we applied a 10.1% increase to the base premiums but did not apply

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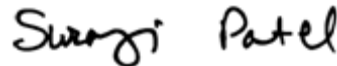
any increase to the contract constant fee per premium payment. The net effect on the policyholders' rates is a 10% increase, as shown in Table 5 above. Corresponding rate pages are included with this memorandum. These revised rates will apply to policies on their next policy anniversary date on or after 12/10/10.

VI. Demonstration of Satisfaction of Loss Ratio Requirements

As shown above, the future expected loss ratios exceeds the minimum loss ratios of 80% for Major Medical Group Conversion and 80% for Major Medical Non-Conversion.

VII. Actuarial Certification

In my opinion, this actuarial memorandum has been developed using reasonable and appropriate assumptions and methods. Therefore, I believe the benefits to be reasonable in relation to the resulting rates, under the standards described above.



Sue U. Patel, ASA, MAAA
Vice President, Actuarial

8/10/10

Date

CALIFORNIA DOCUMENT SUBMISSION FORMSET

California Insurer Number: (NOT NAIC Number) 0178-4		FOR DEPARTMENT USE ONLY		
Official Insurer Name: The Prudential Insurance Company of America		Our File #	Fee Code:	
		Reviewer:		
Submitter and Complete Mailing Address: James Widner Prudential Financial 751 Broad Street 2nd Floor Newark, NJ 07102				
Submission Date: August 10, 2010		Dept Action Date:		
Document Form Number	Doc Type ("Policy," etc)	Document Coverage	Department Action	Fee
1. CHIP 34500C-E	Rate			
2.				
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INSTRUCTIONS: Complete the part of the form to the left of the double vertical line. Enter one document to a numbered line. Use additional formsets if necessary. Be accurate – the copy of this form that we return to you will be your only record of our action on your submission. THIS IS NOT A BILL – DO NOT PAY. YOU WILL RECEIVE A SEPARATE FILING FEE INVOICE SHORTLY; REMIT FEES ONLY WITH THAT INVOICE.				Total \$ Cont'd on ____ Pages

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Attachment "Conversion Questionnaire.xls" is not a PDF document and cannot be reproduced here.

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